

June 12, 2008



# Partnerships In Transit

*Identifying and Delivering PPPs*



# Public Private Partnerships

## Outline

- Identifying Potential PPPs
- Overcoming Institutional Impediments
- Politics of PPPs



# Identifying Projects

## Why Create a PPP?

### *Advantages of PPPs*

- Maximize Each Sector's Strengths
- Reduce Public or Leverage Capital Investment
- Improved Efficiencies / Quicker Completion / Less Cost



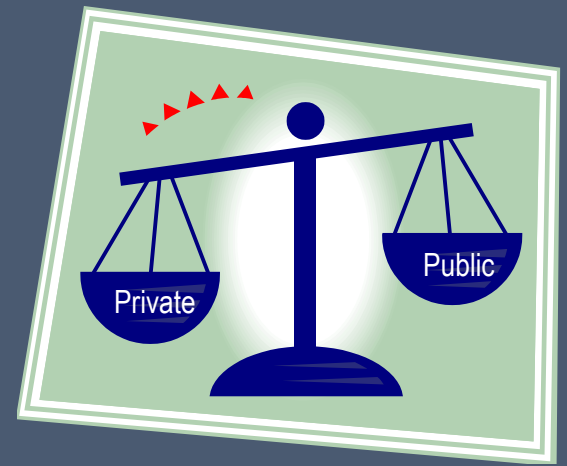
# National Transit PPP Case Studies

Name	Program Cost	Delivery Method
Hudson-Bergen LRT (NJ)	\$1.7 billion	DBOM
Jamaica-JFK Airtrain (NY)	\$930 million	DBOM
Metro Exposition Line (CA)	\$850 million	DB w/ allowances
RTD Gold Line (CO)	\$550 million	DBFOM
BART SF Airport Extension (CA)	\$530 million	DB
BART Oakland Airport Connector (CA)	\$352 million	DBFO
Las Vegas Monorail (NV)	\$343 million	DBFOM
Hiawatha LRT (MN)	\$150 billion	DB
WMATA Blue Line Largo Ext (DC)	\$220 million	DB
Portland Airport MAX (OR)	\$125 million	DBF

# Fundamentals of PPPs

## Public Sector Provides:

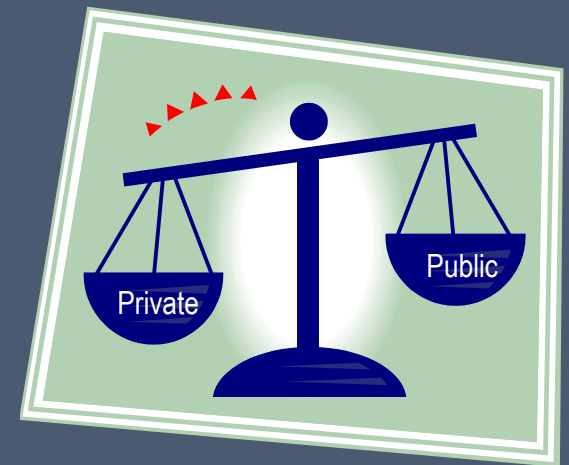
- Legal Authority
- Dedicated Personnel
- Broad Prospective of “What are the Public Needs?”
- Ability to Define Project
- ROW, Utility and Regulatory Risk
- Fair Procurement Policies



# Fundamentals of PPPs

## Private Sector Provides:

- Management Efficiency
- Newer Technologies
- Cash Flow Management
- Design, Geotechnical, Utility, Construction, Finance, and O&M Risk Mitigation
- Ability to Price and Manage Risk





# Questions YOU should ask

- Which PPP Strategies Work Best for this Project?
- Do You Need a Fixed Price or Will Allowances Work? (Dulles and Expo)
- What Level of Control is Required?
- Are There Local Constraints that Should be Considered?
- Has the Agency Done a PPP Before?
- Is the Financing Plan really Feasible?
- Will the Local Stakeholders Support a PPP?



# Questions the Builder Will Ask

- Is there a Reasonable Development Timeframe?
- Does the Project have a Reasonable Finance Plan?
- Is There a Positive Political Climate?
- Is There a Clear Procurement Path?
- What are the Environmental Considerations?
- Is there a Solid Partnership Philosophy in the Agency?

**2008 FINANCIAL PLAN** *(in Millions)*

FasTracks is funded through a sales tax increase of 0.4 percent (4 pennies on every \$10).  
Other sources of funding include:

	AMOUNT	% OF TOTAL COST
SALES TAX BONDS	\$1,970	32.5%
COP	\$379	6.2%
TIFIA LOAN	\$212	3.5%
"PAY AS YOU GO" CASH	\$1,410	23.3%
FEDERAL NEW START	\$1,262	20.8%
FEDERAL OTHER	\$157	2.6%
LOCAL CONTRIBUTION	\$126	2.1%
PUBLIC-PRIVATE PARTNERSHIPS	\$548	9%
TOTAL	\$6,065	100%

*Consider that Development Costs = \$1 – 5 M*



# So You have Identified a Project

## Now What?

### *Critical Success Factors*

- Organizational Impediments
- Politic of PPP



# PPPs -- A Paradigm Shift for Owners

- Ability to Transfer Control
- Base Design on Level of Service – Build When Required
- Long-term Performance Not Initial Design
- Identify Criteria for Maintenance, Operations, and Hand-Back
- Stakeholder Support is Key
- True Partner Relationship



# Management Organization is Critical

## Traits a Management Team Needs to Succeed

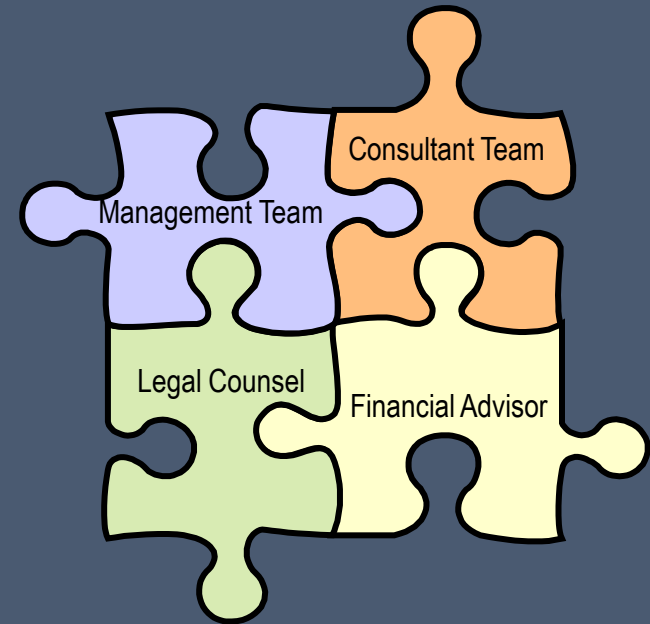
- Ability to Make Decisions
- Political Sense
- Communication
- Adaptability
- Flexibility
- Experience

STYLE	CHARACTERISTICS
Autocratic	leader has absolute power over his or her employees or team
Bureaucratic	leader works "by the book"
Charismatic	charismatic leader tends to believe more in himself than in his team
Democratic	leader invites other members of the team to contribute to the decision-making process
Laissez-faire	leader leaves his colleagues to get on with their work
People-oriented	the leader is totally focused on organizing, supporting and developing the people on the leader's team
Servant	leads simply by virtue of meeting the needs of his team
Task-oriented	leader focuses only on getting the job done, and can be quite autocratic
Transactional	leader starts with the idea that team members agree to obey their leader totally when they take on a job
Transformational	leader inspires his or her team constantly with a shared vision of the future

\*Source: Mindskills.com

# Agency Support

- Dedicated Management Team
- Consultant Support (Procurement, GEC, & CM)
- Legal Counsel
- Financial Advisor



# Owner's Role is Greatly Reduced

- Contract Compliance Oversight
- Approve Specific Submittals
- Audit Quality and Monitor Safety
- Cost and Schedule Approvals
- Approve Reserves
- Determine Compensation Amounts

# What Kills More PPP Projects.....Politics

## Controversial “Hot Button” Issues

- Prices are Often Negotiated
- Private Profit on a Public Project
- Opportunity for Local Contractors
- Quality and Safety Concerns
- Public Perception & Education
- Priority for Use of Public Funds
- Betterments





# Principals for Success

- Prepare Stakeholders Properly for PPP
- Create a Shared Vision
- Understand Key Players Needs
- Help Them Understand Risks and Rewards
- Communicate Early and Often
- Make Them Part of the Process
- Build Trust and Core Value
- Provide a “Trusted” Public Champion



# Tailor Communications to the Audience

Program	Focus
Elected Officials	Fact Sheets, One-on-One Briefings with Exec Dir or Board Members, & Brochures
General Public	Keep it Simple, High-Level Brochures, and Cost, Schedule, Fare & Service Level
Special Interest	Respond to Request for Info. and Speaker's Bureau

*Multi-program approach used for RTD's FasTracks Program*

# Public Outreach, Information, and Education

## You Have to Use All the Tools in the Toolbox to Build and Maintain Support

*Through:*

- Local Advisory Committee
- Property Owner Outreach
- Community Design Input
- Project Web Site
- Newsletters
- Speaker's Bureau



*Opposition will be vocal through out the project's duration*

# Public Speakers' Bureaus: Great Way of Staying in Front of the Public



- Focus on Special Interest Groups --- Large and Small
- Use Board, Executive, Design , Construction and Public Relations Staff
- Develop Standard Key Messages, Project Graphics and Presentation Materials

*Small group settings are highly effective means of communication*

# Maintaining Public Support

- Changing Body of General Public (Turnover)
- Surveys and Focus Groups (Feedback)
- Project Benefits (Reminders)
- Stakeholder Support (Keeping)
- Managing Political Changes



Don't stop.....the opposition won't!

# Lessons Learned

## Do Your Homework

- Don't Rush the Procurement Process
  - Long-term contracts take time and careful consideration
- Allow the Builder to Bring Innovations
- Stay Involved but Don't Over-manage
- Designate a PM with Appropriate Decision Making Authority
- Delegate Risk to the Party Best Able to Mitigate the Risk



# Lessons Learned

- Communicate Quality and Project Expectations Thru 1-on-1 Meetings from the Start
- Follow the Contract
- Establish a Dispute Resolution Process
- Become a Partner



# What Doesn't Work.....

- Bureaucratic Decision-Making Process
- Agency Tries to Run Like a Traditional Project
- Owner “Steps-Back” from the Decision Process
- Antiquated Change Process

**PPP's are NOT a Silver Bullet.....**

**THEY ARE JUST ANOTHER TOOL IN THE  
TOOL BOX!**

# Questions

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